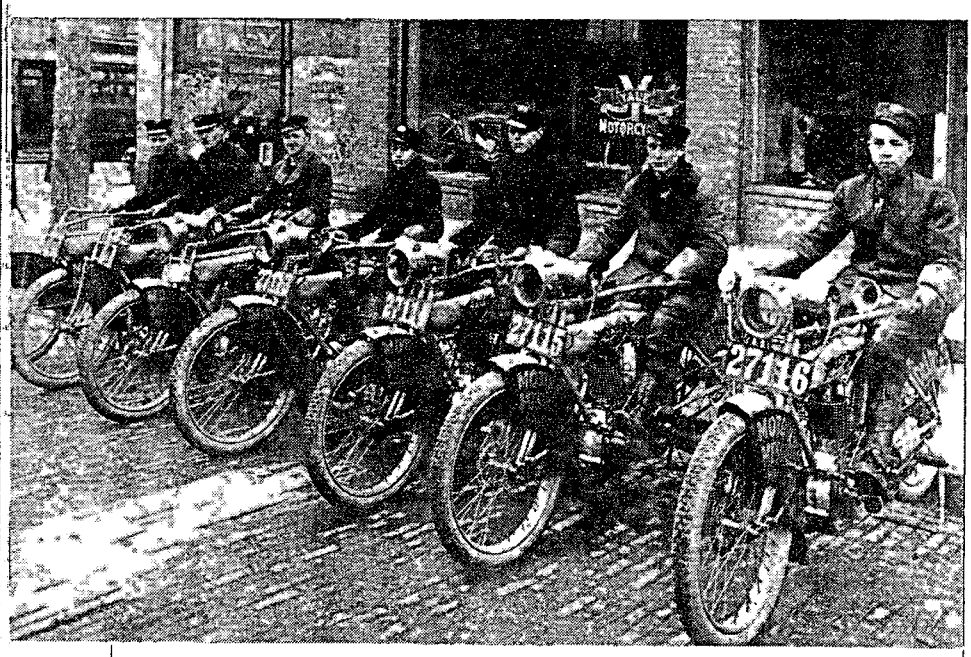
The Quiet Giant of Shipping

Who's the really big money maker in the parcel post business? New York's $400-million-a-year United Parcel Service.

PLENTY of people have seen United Parcel Service's brown (so they don't show the dirt) delivery trucks. Few realize that UPS is one of the biggest shipping companies in the country. Its 1968 revenues of about $400 million were 55% greater than the carrier revenues of Consolidated Freightways, the country's biggest trucking company; they were about equal to the revenues of REA Express, the railroads' small-package affiliate, and about 40% of the revenues of the Post Office Department's Parcel Post system. There is a big difference between UPS and REA, however. While REA lost $40 million in 1968 (on revenues of $370 million), UPS made about $11 million, a return on investment of about 18%.

UPS is privately owned. Its stock is held by several hundred UPS executives. Its chief executive, 72-year-old George D. Smith, doesn't talk to the press. But UPS' success speaks for itself. Between 1964 and 1968 UPS doubled its revenues, from about $200 million to $400 million, and at the same time doubled its profits as well to about $5.5 million. And there doesn't seem to be any prospect of a slowdown ahead. At the moment, UPS serves 31 entire states on the East and West Coasts. It has gotten Interstate Commerce Commission approval to add nine more states—all in the Midwest—and hopes to get the ICC to OK three more states soon after that. This would leave only Montana, Idaho, Nevada, Utah, Arizona, Alaska and Hawaii without border-to-border UPS service, and all of these are low-population states anyway.



From Two Wheels To Four. *In 1913 the United Parcel Service fleet consisted of these seven motorcycles in Seattle, Wash. Today UPS' fleet of custom-designed and specially built brown delivery trucks is probably the second-largest of any company in the country—after AT&T.*

Founded in Seattle in 1907 as a six-bicycle messenger service, UPS for decades was simply a contract carrier, delivering parcels for retail stores. But in the late Forties, as the shift of the population into the suburbs gained speed, the department stores moved into the suburbs themselves. Increasingly, shoppers owned cars and picked up their own parcels, and UPS' revenue growth gradually slowed. But instead of cultivating a stagnant market, James E. Casey, 81, a founder of the company who stepped down as chief executive officer in 1962, decided to expand into the common carrier parcel business instead. As a common carrier UPS would pick up parcels from anyone and deliver them to anyone, charging on a per-parcel basis. In 1953 it got franchises in Chicago and New York City, and today the common carrier business makes up most of UPS' revenues.

Keep It Small

With uncommon shrewdness, UPS has scaled its operations to fit its basic market. REA and the truckers can have the big-ticket shipments. UPS won't take any package that weighs more than 50 pounds—its average package weighs 10 pounds and is about the size of a briefcase. This means every package can be sorted on a conveyor belt and easily carried by a single deliveryman. Its average charge is only about 80 cents.

Though UPS competes with thousands of tiny regional firms, no other big company had the foresight to move into this market. REA Express, it is true, also carries parcels; but in part because the bulk of its business comes from heavier and higher rated items, REA has been painfully unable to bring its costs and rates into line with one another.

UPS does have competition and plenty of it—not from private industry but from the U.S. Post Office Department. Last year the Post Office carried some 1 billion parcels to UPS' 500 million. But so far government competition has been more of a blessing than a bane. Under a 1950 law the Parcel Post system, unlike the rest of the Post Office, is required to pay its own way. Given the monumental inefficiencies of the Post Office, this means that parcel post rates are kept high enough so that UPS can charge similar rates and still make a comfortable profit. As long as parcel post rates are kept high enough, UPS would have no difficulty increasing its earnings. So, for once, government competition isn't all bad. ■

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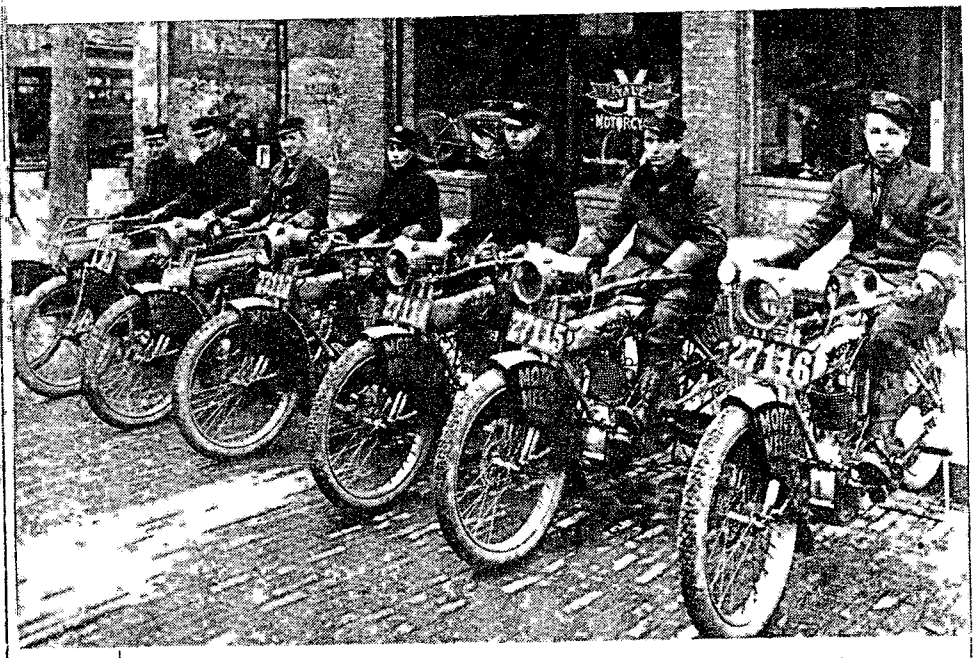

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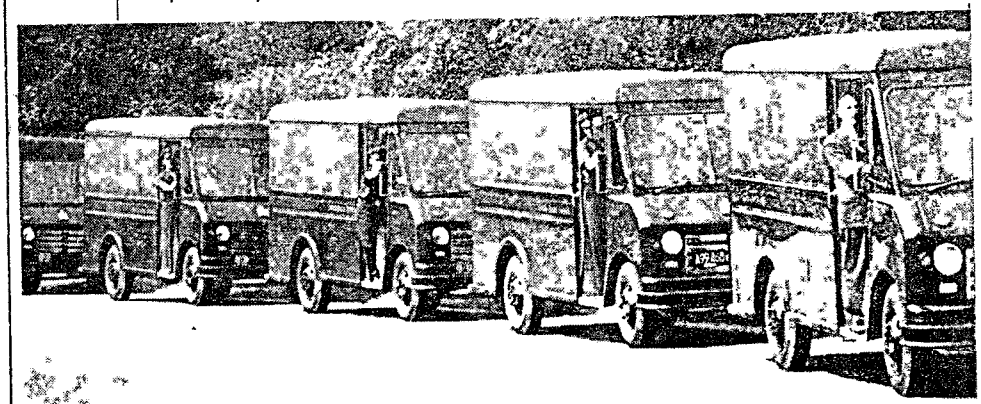

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DISTRIBUTION

Delivering more clout to United Parcel

Regulatory victories give UPS a price edge, greater flexibility with retailers

United Parcel Service has done only one job since its founding in 1907: deliver small packages. And it has done that so well that it has become the world's largest trucker, writing close to $2.8 billion in revenues in 1978. Last year also was a milestone, when, for the first time, UPS figured that it had delivered more packages than the U. S. Postal Service.

The ubiquitous, brown UPS vans are now as familiar a sight in U. S. cities as the red, white, and blue Postal Service trucks. But that universal recognition can be misleading. Few companies are so single-minded in their attempts to maintain their privacy. No UPS executive, for example, may be interviewed or photographed: So successful is the company in keeping out of the limelight that it took the New York newspapers four months in 1975 to discover that UPS had moved its headquarters out of Manhattan to Greenwich, Conn.

But those days may be gone forever. Recent legal and regulatory battles have brought UPS activities out in the open, and upcoming labor negotiations—to hammer out its first national contract—promise to expose the company to further scrutiny. The wonder is how UPS kept itself under wraps for so long. The employee-owned company earned net profits last year of about $75 million for delivering more than 1.3 billion packages, all under 50 lb. And that gargantuan job took a staff of 103,000.

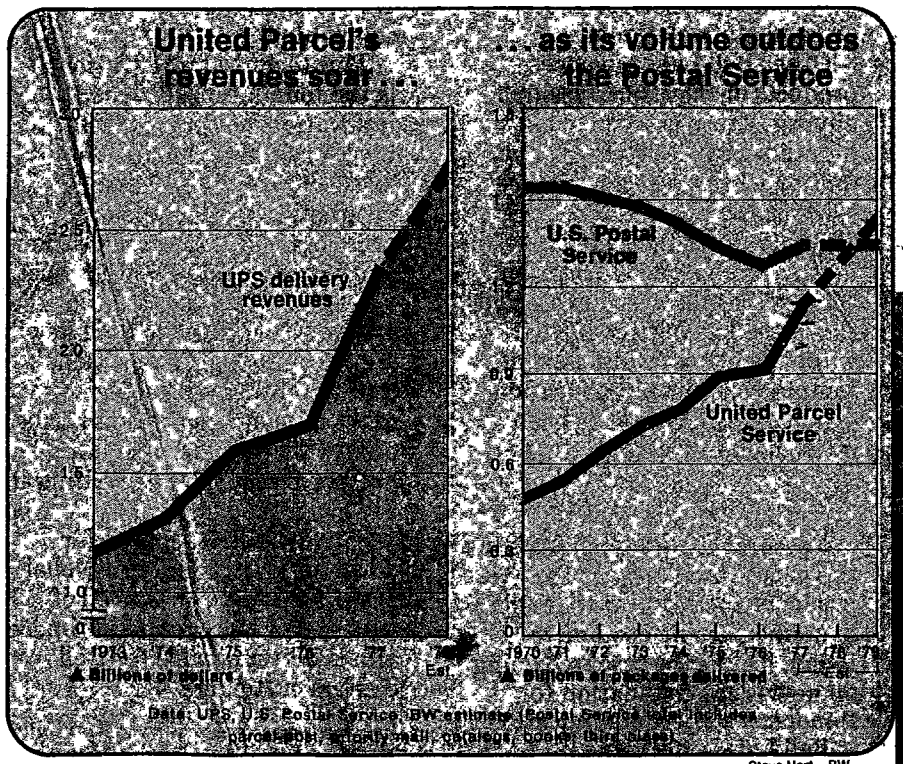
UPS already covers all 50 states. So to keep growing, the Connecticut company has been turning to new markets. It is pushing into Canada and Germany (page 102F) and also is winning its fight to expand delivery services to domestic customers.

The company has chalked up three significant regulatory victories in recent weeks. On Feb. 27 two separate decisions by an administrative law judge at the Interstate Commerce Commission removed the restrictions that prevented UPS from serving retail establishments both as a private contractor and as a common carrier and those that prevented it from carrying more than 100 lb. per day from one customer. A day later, UPS was able to protect its existing markets when the U. S. District Court in Philadelphia enjoined the Postal Service from cutting the price on some delivery services.

Each decision is subject to appeal, and the American Trucking Assns. says that it will contest the weight ruling. Truckers fear that UPS will expand into the general freight business, even though the ICC judge granted the UPS petitions only on the condition that the company would never make such a move. But if the ICC approves a petition by Trailways Inc. to deregulate price and weight on all shipments of less than 500 lb. (BW—Feb. 26), the condition imposed by the ICC judge will be academic.

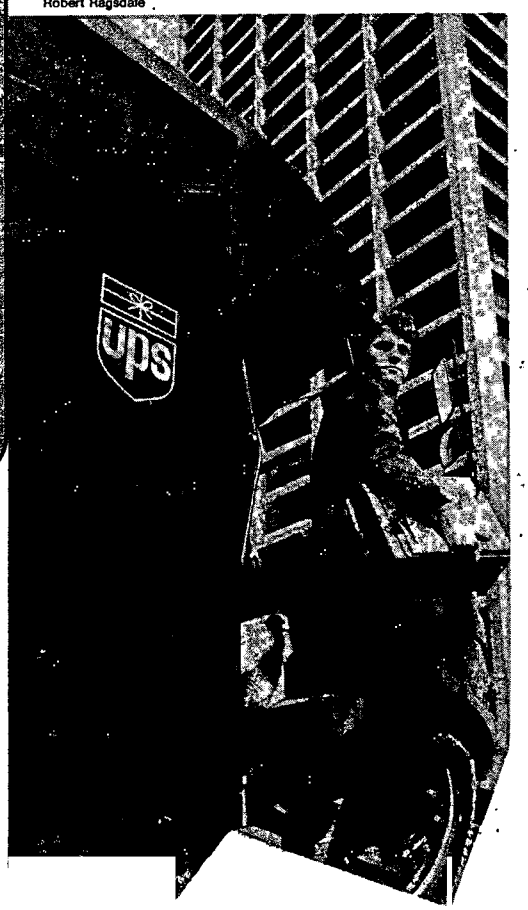
Devastating competitor. For the Postal Service, the Philadelphia injunction was another setback in its losing battle against UPS for the parcel-post market. The service maintains that its $950 million bulk mailing system, completed two years ago, was built to respond "to the need for improved service in the small-parcel area." With that system in place, it wanted to extend its lower bulk rates to shipments totaling 50 or more packages—a clear attempt to grab more of the large shippers' volume. The proposed 17% rate reduction would have dropped the cost of shipping a 5-lb. parcel 1,000 mi. from $2.14 to $1.86. To do the same job, UPS now charges $1.50. More important, the new postal rates would have provided a uniform rate of $1.23 for 5-lb. parcels mailed to any point within the bulk mail center areas, regardless of distance.

Without the new prices, the Postal



Steve Hart—BW

Robert Ragsdale



Robert Ragsdale

In Canada, UPS has run into regulatory blocks in expanding its delivery area beyond Toronto.

Service predicted, it would suffer irreparable harm and other postal rates would have to be increased. But the court foresaw a potential revenue loss for UPS of hundreds of millions of dollars and concluded that "we cannot find that damage to the Postal Service is a factor which outweighs damage to UPS."

The damage to the Postal Service has already begun. A recent Postal Service study found that UPS has been increasing its volume of fourth-class business in the special rate category of books and magazines—a segment in which it has never been a significant factor.

Such companies as CBS Inc.'s Columbia Records Div. and Doubleday & Co. have begun to use UPS extensively. George R. Larie, vice-president of Doubleday's Book Club Div., points out that, because of its high rates, "the Postal Service has really forced us to look at other means of delivering our products." What is more, he adds, "UPS offers free return of undeliverables, something the post office does not do."

These services make UPS a devastating competitor. Other carriers have tried to match its speed and efficiency by attempting to imitate its operations. Federal Express Corp., which competes with UPS for air-express shipments, has recruited 10 former UPS managers to help model its ground operations along the style of UPS.

Mandatory overtime. The UPS delivery system is a well-oiled machine. Each day, some 40,000 drivers pick up trucks systematically loaded at 1,000 local operating centers. After delivering the loads along routes calculated to conserve fuel, the drivers start the trip back, making regularly scheduled pickups. The packages they collect are consolidated at an operating center and taken by tractor-trailers to one of the 100 regional hubs; from there they are routed to the UPS facility nearest to their destination. UPS guarantees next-day delivery within a 150-mi. radius and two-day delivery over longer distances if a package is shipped via its Blue Label air service. Customers say that UPS delivers as promised about 95% of the time.

That kind of track record does not come without some stress and strain. UPS demands that drivers and first-line supervisors stay on the job until the last parcel is delivered and the trucks are washed and ready to be loaded for the next day's deliveries. Workers each put in an average of 10 hours' overtime a week. Now the International Brotherhood of Teamsters, representing 80,000 employees, is going to fight such work rules. Says Ronald Carey, president of Local 804 in Long Island City, N. Y.: "We took a look at the divorce and separation rate and found that it was extremely high, because our guys just aren't home." Mandatory overtime will be a key issue in the talks getting under way on contracts expiring on Apr. 30.

Reports are cropping up, too, of discontent in the white-collar ranks. But the company has unusual policies intended to help morale. UPS makes a point of treating all employees as equals. Corporate officials, for example, are listed in alphabetical order in the annual report, and not even Harold Oberkotter, the chief executive, has a private secretary. As for incentives, managers, from first-line supervisors on up, are eligible to participate in a plan under which 15% of the company's pretax profits are distributed each year in the form of stock. Currently, about 8,400 managers own UPS stock.

Its fast growth notwithstanding, UPS still moves very carefully into new markets. Its expansion into Canada began quietly in 1974, when it started a local package-delivery service in Toronto. Three years later, UPS applied for a license to operate throughout Ontario and parts of Quebec, and to make runs back to the U. S. But it was turned down by the Ontario Highway Transport Board. It has appealed that decision. Meanwhile, UPS is forced to operate with unregulated passenger cars for all deliveries outside metropolitan Toronto.

Beating parcel post. Even with its operations so severely restricted, UPS is cutting into the business of Canadian Pacific Express Ltd. and Canada Post. Mac Dee Ltd., a London (Ont.) company that exports 35% of its business cards, auto decals, and plastic shopping bags to the U. S., is a growing user of UPS. "We found UPS to be a drastic improvement over parcel post and CP Express," says Norman R. MacDougall, director.

Having satisfied customers such as Mac Dee, UPS is sure it will get the O. K. to expand its Canadian delivery services. But that is only the beginning. The company aims to repeat its U. S. expansion record and provide full coverage of all of Canada. "Parcels are busting to get out of the [Canadian] post office," declares a spokesman for UPS in Toronto. "UPS has only to hang out its shingle, and they swarm out." ■

One market that UPS has trouble delivering

United Parcel Service may appear to be unbeatable in the U. S., but just the opposite seems to be true in Germany. In 1976 the company set up United Parcel Service Deutschland in Neuss. But it is still "a limited operation," acknowledges a company spokesman. The estimated 12 million packages that UPS delivered in 1978 represented only 1% of German parcel post.

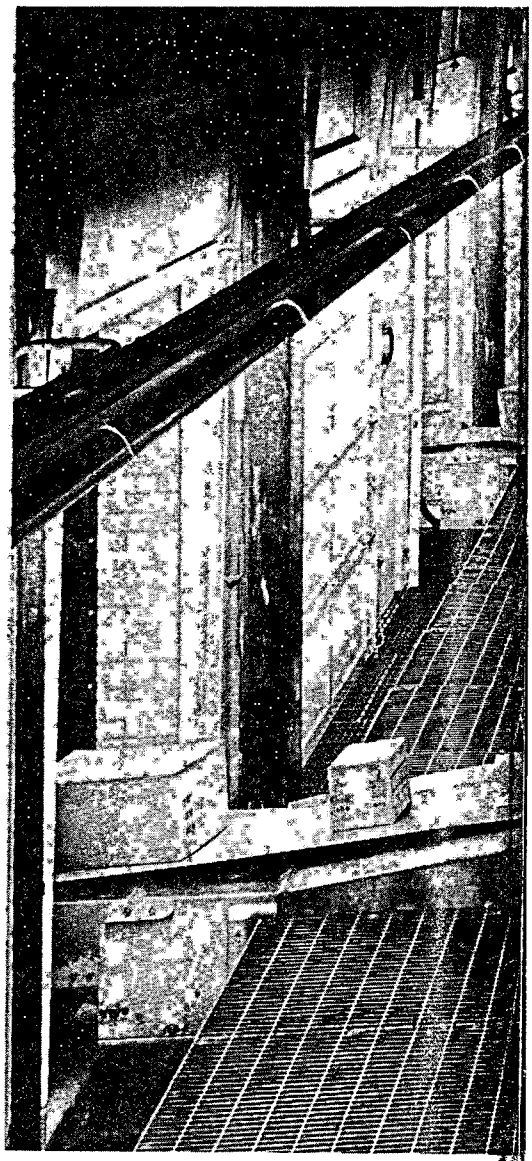
The German market seemed to be made to order for UPS when it decided to enter the fray. Not only was the market enormous, but Germany is the only country in Europe that is decentralized like the U. S., with widely dispersed urban and industrial areas. And the time was ripe. When UPS opened shop, several of Germany's major mail-order houses were noticeably dissatisfied with the Bundespost (Federal Post).

Surprising arrogance. The UPS subsidiary may have blown a golden opportunity, though, by not being responsive enough to customer needs. The Bundespost is a much tougher competitor than the U. S. Postal Service, and it quickly added new services to counter its competition. It reinstituted pickup service and designed special package racks for customers. UPS, on the other hand, refused to change its U. S. modus operandi. "We aren't interested in designing special racks for individual customers," says a spokesman. "We just handle packages."

And sometimes UPS does not even do that well. Poor service cost UPS its one mail-order customer, Delikatessen Import Koeser, a specialty food catalog operation. The Bremerhaven company says that it stopped using UPS because it damaged packages, ignored instructions on the limited delivery time for perishables, and failed to return undelivered goods within the stated time limits.

Despite its unimpressive performance—1978 sales were estimated at $21.6 million—UPS in Germany is surprisingly arrogant in its approach to new business. The Frankfurt office, in fact, is not even listed in the city telephone directory. "Our customers know how to find us," huffs a company spokesman. "Our trucks are on the street all the time," he says. "If they want to know where we are, they can stop a truck."

SMALL SHIPMENTS



UPS—The Efficiency Experts

According to Thomas Browne, member of the Public Affairs Department, United Parcel Service, a distinction must be made between "small shipments" and "packages" in any examination of transportation problems.

"Problems associated with small shipments," Browne told DISTRIBUTION WORLDWIDE, "generally do not exist in package transportation. The availability of service is not a problem that besets the package shipper."

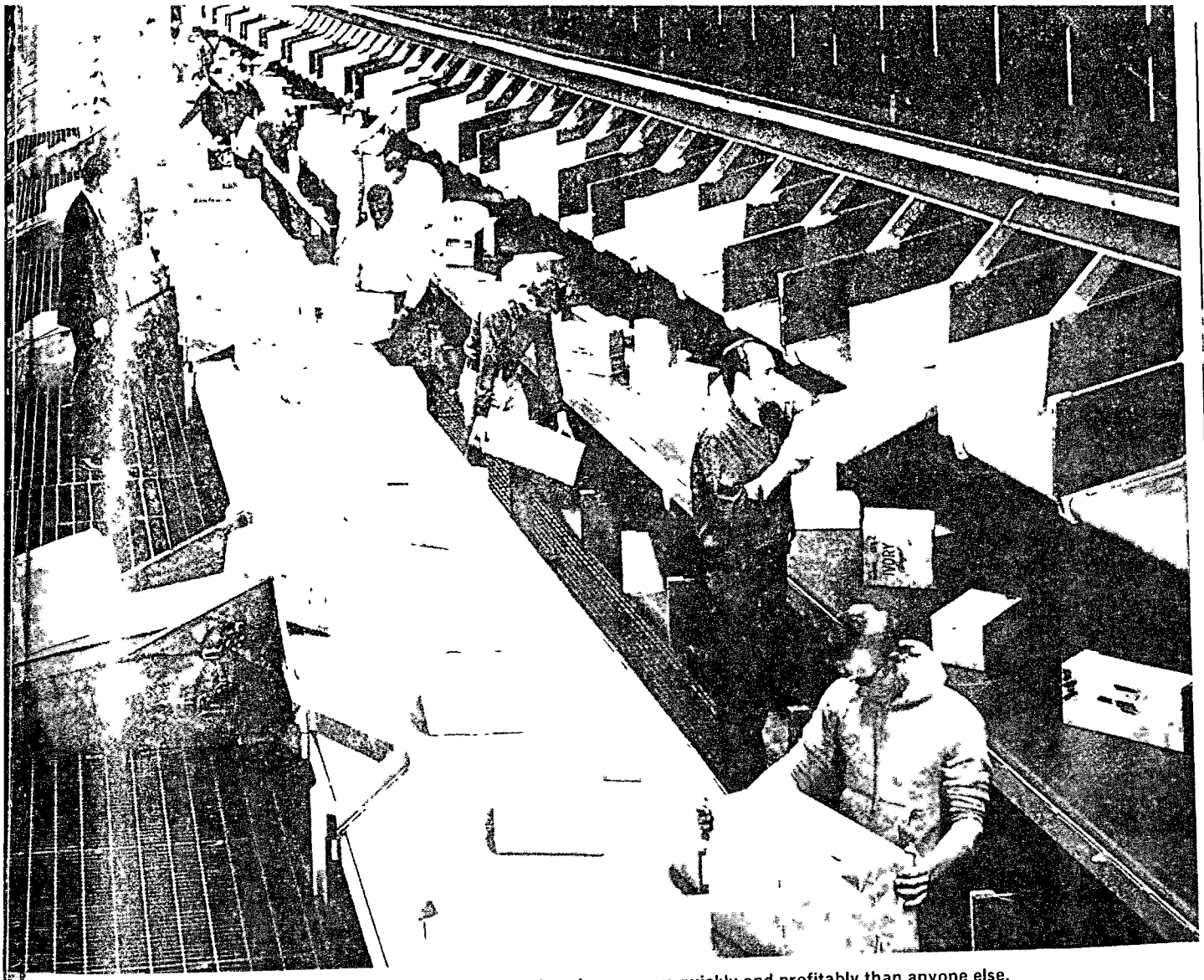
UPS handles packages that weigh up to 50 pounds and have a combined length and girth not exceeding 108 inches, "well below the sizes and weights associated with small shipments and freight," Browne adds.

"Because we have concentrated all our engineering and design energy on this area, we have been able to create a specialized system that's especially suited to handling small packages."

Browne notes that UPS specializes "exclusively in the delivery of small packages over broad areas of the country." The company presently has authority covering 39 states and parts of seven others. Applications for authority to provide interstate service throughout the remainder of the 48 continental states are pending.

"Before too long, we hope to provide package delivery service, both inbound and outbound everywhere in the country," he says.

"My company's customers count dependability as one of the primary values of our



UPS terminals are highly specialized, mechanized to move small packages more quickly and profitably than anyone else.

A profitable company handles more than a million-package-a-day workload and makes it look easy—by specializing in one kind of freight

service. Package shipments are likely to involve a crucial time factor," he continues, "dependability, therefore, is of paramount importance."

United Parcel Service, Browne says, offers its service to everyone—"whether a businessman or a private residential shipper, or whether the service must be provided in an urban, suburban or rural area.

"These then," he adds, "are the two basic elements of an acceptable package transportation system. The service must be easily available and it must be dependable. Generally speaking, our service is designed to provide next-day delivery within 150 miles, second-day delivery up to 450 miles, third day to 900 miles and fourth day up to 1,500 miles."

UPS, in addition, offers its ground-air Blue Label service between 28 Eastern states and the three Pacific Coast states. Says Browne: "Generally, this service offers a second-day delivery.

"Rates for Blue Label service are the lowest available for any air service. From the East to any of the West Coast states, the rates are 50 cents per package, plus 39 cents per pound. Thus, a 10-pound package would cost $4.40. The size and weight restrictions of United Parcel ground service apply equally to the Blue Label service."

Browne emphasizes that although dependability and availability are basic elements of an acceptable package service, "there are many other features that must be provided

Continued

Efficiency experts...

In an annual financial review, UPS said: "Operating efficiency, not rate increases, is the best insurance for our further financial soundness." And such efficiency is the bedrock on which UPS has built annual small package volume in excess of 500 million units and a substantial operating profit. Other carriers marvel at how UPS can make a profit three times as many deliveries a day in the same territory that we do. There are five basic reasons why: (1) Simplified billing (and prepayments), (2) simplified rate structure, (3) cost oriented rates, (4) highly automated handling and (5) freedom to locate terminals, to set up routes and pick up delivery areas without regulatory oversight.

Efficiency experts... CONTINUED

to create a package delivery system that's fully responsive to the needs of customers."

He ticked off some of the more important such features:

—A simplified documentation system that eliminates the need for a bill of lading for each shipment. A single entry in a special pickup book provides all the data needed to record entry of a package into the system.

—An automatic $100 of protection against loss or damage on each package. This protection is provided without additional paperwork. If additional increments of protection are desired, they can be had for a nominal fee and a simple notation in the pickup book.

—The Postal Service zone system has been adopted in establishing UPS rates. This eliminates the need to familiarize shipping personnel with two different rate systems.

All addresses served

—Service is provided to any and all addresses in areas that the company is authorized to serve. This eliminates searching through directories to determine if the carrier serves the destination point.

—Rates are not computed on the basis of the commodity being shipped. This eliminates the need to determine what rate classification each shipment should be accorded.

—Simplified zone and weight charts make it easy to pinpoint the charges for each shipment.

—UPS makes three attempts at delivery. If the consignee is not available to accept the package the first day, a delivery notice is left in the door that notifies the consignee that a second delivery will be made the next day. Three delivery attempts make it almost certain that delivery will be completed.

—If, for some reason, delivery can't be made after three attempts, or if the receiver refuses the package, it's returned to the shipper without additional charge. This process eliminates shipper-consignee correspondence, and it gets merchandise back into inventory quicker.

—An automatic daily pickup call is made, which eliminates the need to telephone for service. This means that a shipment will not be delayed because someone forgot to request a pickup.

Returns minimized

—A package that is undeliverable due to an incorrect address is not automatically returned to the shipper. The UPS people in the destination area search directories and make other inquiries in an attempt to complete delivery.

—A simplified tracing and claim procedure has been designed to provide prompt answers to queries and to diminish paperwork on claims for loss and damage.

—Computerized billing systems have been developed. For the convenience of customers, UPS has adopted four different collection plans to minimize costly billing and record problems.

"These, then," Browne concludes, "are some of the methods United Parcel Service uses to try to meet the shippers' needs in transporting small packages. They not only help to provide the shipper with streamlined and dependable service, but they have the effect of increasing the system's efficiency—and thereby reducing the costs of the services to the user." ■

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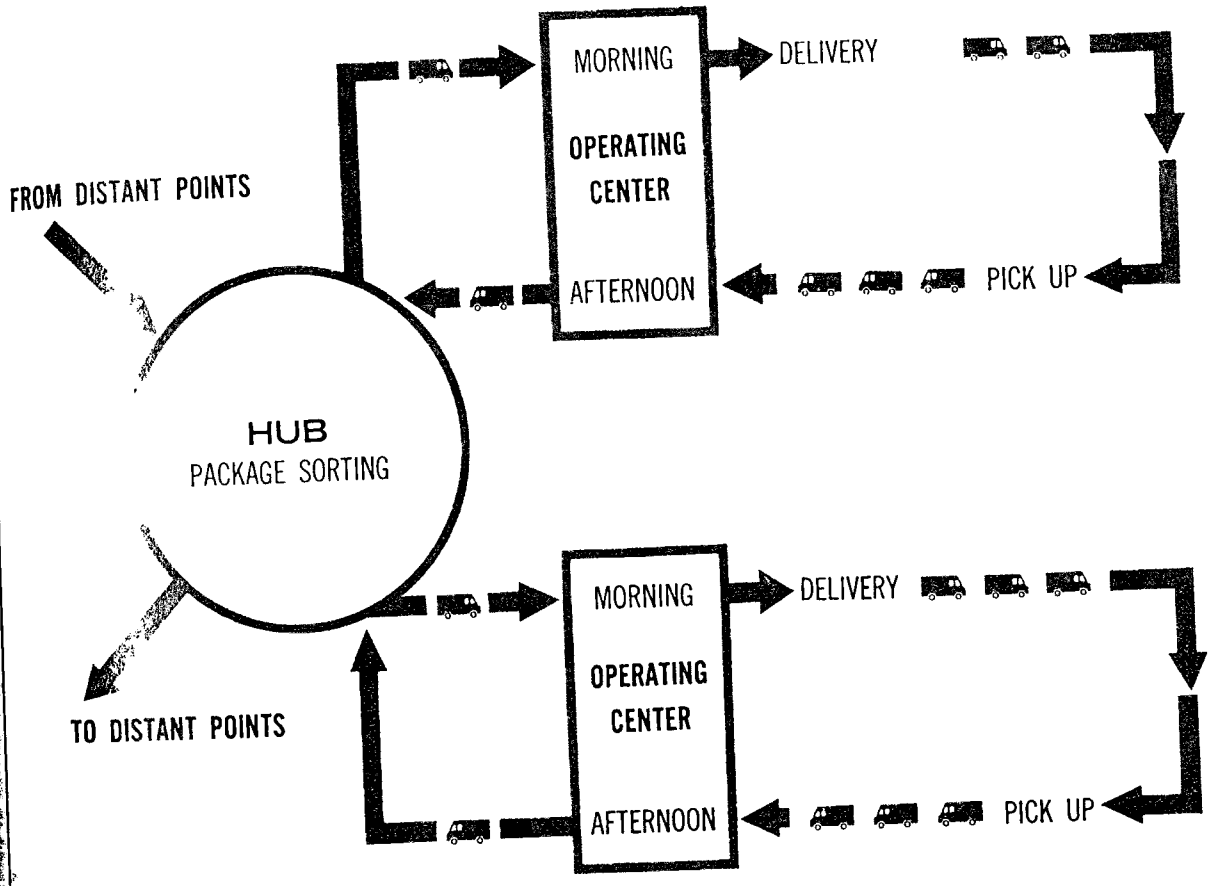
United Parcel Service Package Delivery Cycle



Small Shipment Oddity: "BALLOON" FREIGHT

What is balloon freight? Why does it cost so much to ship? Single items that are big and airy—such as a styrofoam boat—are balloon freight. They take up much cube in relation to their weight and value. Let's follow such a boat (60 pounds, 11 x 3 feet) from manufacturer Snark Products, Port Clinton, Ohio, to an East Coast delivery.

Snark has shipped close to 50,000 boats in a few years; mostly via railcar lots to key warehouses for peak seasons. Off-season, the firm ships direct by truck common carrier, at relatively high cost. To the Philadelphia area, for example, Cooper-Jarrett is a principal carrier. Jarrett, in turn, has a contract for offbeat delivery points near Philadelphia with Frames, Morrison & Ryan (FMR), West Chester, Pa. FMR makes daily pickups and deliveries at the Cooper-Jarrett terminal.

Snark's boats are rated at class 300 (meaning three times as high as normal—100-class—first-class freight) because of bulk and light weight. The average tariff to Philadelphia is about $12 each. Of this amount, FMR gets some 31%, or about $3.80 each. On top of this, there's an extra $6.50 charge (paid by the shipper) for residential delivery. In total, then, Cooper-Jarrett gets about $8.20 per unit shipped and FMR gets about $10.30. Pity the poor shipper who has to pay $18.50 for delivery on an $80 boat (Better than 20%!).

Alternatives? Few. About the same tariff exists for REA Express, with some differences in insurance liability. UPS, BPX and parcel post won't touch shipments the size of the Snark boat. Air freight, of course, would be out of the question here.

Thus, balloon freight is a singularly pesky kind of small shipment, beset with special problems that no one seems able to solve. It's "pain-in-the-neck" freight to everyone but the shipper who *must* deliver it.

New Arrival. Since 1969, when Melville's Frank Rooney bought CVS, it has vaulted up among the U.S.' top dozen or so drug chains. Like other drug chains, CVS is making huge sales gains by knocking off mom-and-pop druggists.

bargaining stance. And most advancement is internal. UPS does bring some people in from the outside, but it likes to bring them in early, before the world has had a chance to taint them.

The fact remains, however, that UPS' rapid growth in the past five years is only partly due to a growing economy and efficient business practices. More important, it is due to geographic expansion; service in some 20 states has been added since 1965. Today UPS picks up and delivers anywhere in 43 states and parts of three others. The only continental U.S. states in which it does not operate are Utah and Montana—and that's not for lack of trying.

Since 1971 UPS has had an application pending before the Interstate Commerce Commission for the right to operate in all 48 contiguous states. But it has run into a brick wall called the U.S. Postal Service, which opposes any further UPS expansion.

"We don't expect to enjoy the territorial expansion we have experienced in past years," concedes Kent Nelson, UPS' national customer-service manager. In an attempt to maintain UPS momentum, the company is now launching the first nationwide sales campaign in its 66-year history.

The ace up UPS' sleeve is its Blue Label air parcel operation between 28 eastern and midwestern states and three on the West Coast. Last year it accounted for some $40 million of revenues, and could well grow severalfold in the next five years.

Trouble is, once again UPS' main competitor in air parcels is the U.S. Postal Service.

Ironically, UPS ought to be delighted that it *has* such competition. Already it is nearly as big as the parcel post. Last year it carried 712 million packages, *vs.* about 1 billion for the Postal Service. At the rate it has been growing, UPS will pass the Postal Service's volume in a few years. Question: What happens then? At that point, its problems may be less economic than political: Would UPS like to take over the parcel post—the skimmed milk as well as the cream? ■

A Privately Public Company

UPS HAS almost 42 million shares outstanding, but virtually all are held by some 5,700 supervisors and executives and their families (plus a few former employees or their heirs). In the main they were given the stock. Shares are distributed each year, usually in the amount of 15% of pretax profits, to supervisory and higher employees. Which employees get it depends in turn on the recommendations of *their* supervisors. Stock awards are proportionate to salary, but higher supervisors get twice the amount of stock per salary dollar.

An employee who gets stock may sell it back to the company, to other employees or, theoretically, to outsiders. But if it is going to be sold the company has the right of first refusal. (The net result is that almost no stock is held by the general public.) Shares sold back to the company are then offered to other employees at the "official" price—in effect, book value adjusted for future prospects—which the board of directors sets four times a year with the advice of First National City Bank and Scudder Stevens & Clark. And that price has gone steadily up, from $3.62 five years ago to $16.

When a stockholding employee retires or dies, his stock must be sold back to the company at the then current price. But if he has over 500 shares, it may be sold over ten years to minimize capital gains taxes.

This stock scheme has not only kept UPS supervisors and executives highly motivated; it can also make many of them rich. In the last five years nearly $40 million worth of stock has been divided among eligible UPS employees, 5,629 last year (9.6% of total employees). The 11 members of UPS' largely inside board hold shares worth some $50 million; about half are owned by founder James E. Casey, now 84, who started the company in Seattle back in 1907.

Frank Rooney's Lament

They loved his Melville Shoe in 1972. Why not in '73?

"NOTHING has changed around here," says Francis (Frank) Rooney Jr., 52, president of Melville Shoe Corp. A strange statement that, from the boss of a company that has gone in just five years from a shoe retailer to a specialty merchandise retailer.

In 1968 Melville netted $16 million on sales of $293 million in its Thom McAn, Miles and other shoe chains. This year it will do better than $700 million and net over $30 million. If Melville's return on equity isn't quite its old 33%, it is still something to brag about at over 25%.

All in all, it was a spectacular achievement. Rooney had added 550 specialty stores in the space of these four years. They were of three different types: Foxmoor (teenage girls' sportswear); Chess King (teenage boys' slacks) and CVS (drugs and cosmetics). While Rooney was doing this with one hand, with the other he added 300 new Meldisco leased shoe departments to the 300 already operating in Kresge's K marts.

Chess King was started from scratch. CVS and Foxmoor were small chains that Rooney bought and expanded. In the process, he proved that a good store manager, properly trained, can manage just about anything. "We can take a fellow who has managed a Thom McAn store and put him in a Chess King store, maybe in the same shopping center, and he'll be at home in store operation and merchandising."

In fact, Rooney sees no mystery in merchandising. "The main thing," he says, "is central warehousing and guys in the stores who can keep a smile on their faces."

So confident is Rooney of his "warehousing-plus-a-smile" techniques that it is reported he's now trying new retailing fields. He is experimenting with a leisure-products store and sportswear stores for young men (Chess King is for teenagers).

But Rooney, a happy man when he talks about Melville's retailing accomplishments, turns sad when he thinks about the price of his company's stock. Last year it sold close to 40. Recently it was 15. This in spite of the fact that the company should earn $1.35 this year, up from $1.18 —Melville's tenth straight annual gain in earnings. Rooney can't quite figure it out. Is the market worried that a shoe company may fall on its face in other lines? Is it worried about expansion? If so, Rooney says, the company's record should be reassuring.

But good retailer that he is, Rooney should recognize that the stock market isn't very different from the shoe business: No matter how good the merchandise may be, if the public ain't buying, it ain't buying. ■

"Stolen Packages"

There'll be no winners in the growing feud between United Parcel Service and the U.S. Postal Service

LIKE Poe's "The Purloined Letter," which could not be found because it was in so obvious and open a place, United Parcel Service and its familiar brown trucks have been so pervasive a part of the U.S. business scene as to be almost invisible.

Invisible, that is, to almost everyone except its one serious competitor: the U.S. Postal Service.

"They have some strange feeling that they have a right to all the packages," complains Vice President Charles W.L. Foreman, 60, who reluctantly acts as UPS' spokesman. "They act as if we've stolen their packages."

That's because the Postal Service is green with envy. Where the parcel post loses a mint delivering packages, UPS has been making it big as a common carrier—which means it will carry parcels for anyone, although it does most of its business with companies that ship to wholesale or retail customers, branches and the like.

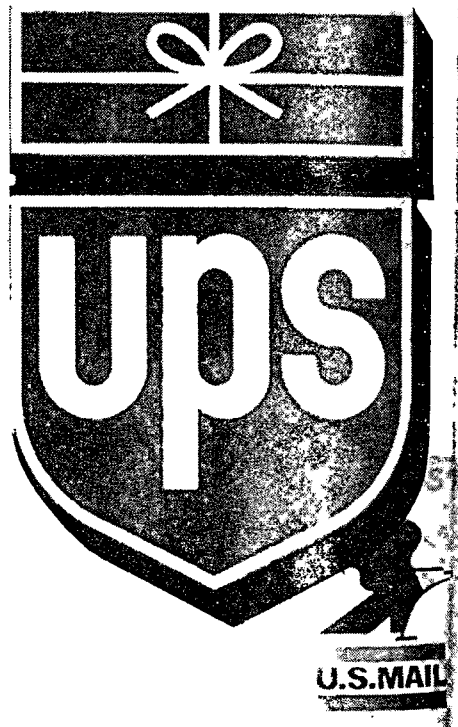
Last year UPS took in revenues of over $1 billion, up from $367 million just five years ago, a 23% average annual growth. On this it made $77.5 million for a 35% yearly earnings growth and a handsome 35% return on equity. And that's without help from the magic of capital leverage: UPS has no funded debt.

UPS is "skimming the cream" off the parcel post business, complains the U.S. Postal Service.

Which is quite correct, of course. UPS does not accept any parcel above a certain weight (50 pounds) and bulk, nor will it take refrigerated items or live animals. This, of course, maximizes automation possibilities and minimizes handling delays. Result: UPS typically transfers its parcels direct from the truck collecting them to the truck delivering them without keeping them overnight on some warehouse floor, or subjecting them to the costly extra handlings that are the bane of all shipping operations.

UPS' faster delivery time brings in steady business from customers, whose packing practices are standard and whose shipping patterns are known. This helps UPS schedule its collections and deliveries efficiently.

And UPS keeps productivity up and labor problems down by an even simpler device. Its owners (*see box*) are its supervisory and managerial employees and executives (plus former employees and their estates). This produces a single-minded pursuit of efficiency that is saluted even by the unions that resent UPS' hard-nosed



"Don't give it to us, give it to UPS," say signs outside post offices during the Christmas mail crunch. But the rest of the year the U.S. Postal Service stoutly opposes UPS expansion. Which leads UPS to charge that the Postal Service is subsidizing its parcel-post rates with its monopoly in first-class mail.

KROGER WORKERS ALERT!

Kroger workers will need to be on their toes in the next few weeks. And freight workers should watch the Kroger National Agreement closely. It appears the Union has given in to a traditional company demand -sub standard apprentice wages- in the tentative settlement of the Kroger National Agreement which is being floated out in several locals as **CONVOY** goes to press. This is the first 34 articles of contracts covering nearly all Kroger drivers and warehouse. While exact details are not known, enough is clear to say this would be a record sellout even for Bobby Holmes and Sam Smith of the Teamster Grocery Division. Kroger workers should float this contract fight back to Kroger.

There are at least three disastrous clauses in the tentative settlement, according to our best current information. When full details are known, they will be distributed immediately through the Kroger Connection newsletter to all divisions. To make sure you receive this vital information, contact TDU today.

This contract would let Kroger pay new hires 75% of full scale for their first 2½ years.

Right now it takes 30 calander days to get seniority. This agreement would change that to 30 working days within a 60 day period. They could work someone 70% of the days and they'd never get their time in.

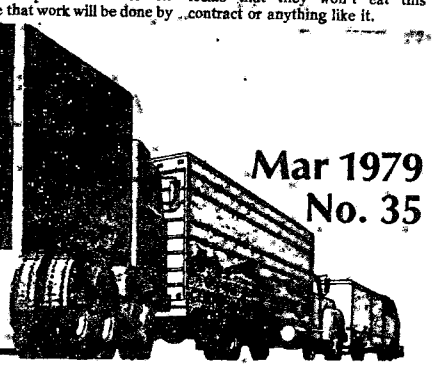
Kroger has pushed subcontracting for years. When 4 words were changed in the 1973 agreement they began subcontracting many runs to outfits with cut rate Teamster contracts like Howard Baer. Now in some areas milk deliveries are made direct to stores by cut rate drivers paid as low as 14c a mile and a fixed $5 fee for unloading a load of milk off the trailer floor.

There may be some cosmetic improvements in the pact. But it apparently would protect only work now being done at existing facilities. If a new division or even a new store opens there is no guarantee that work will be done by Teamsters at Teamster wages.

This contract is so bad it is hard to believe, especially coming on the heels of a record Kroger profit year. It is possible this tentative agreement is simply camouflage to make people relieved when a slightly improved sellout deal is proposed later.

Kroger management and Teamster officials are up to no good. Kroger workers should be prepared to make clear to their officials in all locals that they won't eat this contract or anything like it.

CONVOY



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CONTRACT EXTENSION?

IT'S DOWN TO THE WIRE

In 1976 rank and file pressure led to the first national trucking strike. We won some small improvements, but not nearly enough. These Detroit strikers picketed the Local 299 hall against going back for nothing.

As CONVOY goes to press, the negotiations for the national master freight agreement have just moved to Hollywood, Florida and continue to remain confined to "disputed language" in the last contract and "non-economic" issues. As of yet, no major demands have been made by the union negotiators.

It now appears quite possible that Frank Fitzsimmons and Roy Williams will move to extend the bargaining past April 1, rejecting a stand of No Contract, No Work. Williams himself has stated that the union will not make its demands till late March, and also, "I don't think there will be any work stoppage." One member of the national negotiating committee, Neil Dalton of Michigan, claims that "99% of the members" want a contract extension!

TALKS ON EMPLOYER DEMANDS

Most of the "non-economic" demands have been made by the **employers**, as reported in previous **CONVOYs**. They involve breaking down the supplements, productivity standards, more casualization, and other take-aways.

The main non-economic demands that Fitzsimmons is pushing are in Article 16—safety. These are fine demands but will be of little value without the **enforcement** to back them up. Currently drivers have to choose between performing unsafe (and illegal) work or being fired and taking their chances in the grievance procedure. Not much of a choice. Without changes in the grievance procedure or a right to refuse unsafe work, it will all be more worthless words.

Williams also claims the union will make a demand on behalf of road drivers who want an end to "babysitting the phone" and 70-hour slavery. But none has been made yet.

Negotiating Committee members are also hinting they will come up with some increase in the pension, perhaps $100 a month.

But an increase like this will fall **far short** of making up for inflation, let alone keep retired Teamsters even. Other improvements including a pension cost-of-living clause and "30-and-out" are needed (see page 11 for comparison to autoworker pensions).

Pension improvements and other needed benefits **cannot** be won within the 7% guideline. Now top union officials are acknowledging this, and hinting they will go over 7%. But they are going to have to do a lot more than "hint" about it to win **anything**. As the latest inflation figures released by the government show that it would be suicide for us to settle for a **total package** of 7% a year when inflation currently is running 10.8% and our last contract was over 11% a year!

DOWN TO THE WIRE

The employers are clearly pushing harder than our union negotiators and feel that they have the backing of the Carter Administration as well. The only force pushing for a good contract is the rank and file. Communication and organization are the key. Rank and file pressure is **already** having some effect on the negotiations—but not enough. The last month will tell the story.

"And on the Eighth Day, U.P.S. Created . . ."

A lot of United Parcel Service employees accuse their company of trying to act like God, but on February 7, UPS management at the New Stanton, Pa. hub decided it could actually improve on the Lord's handiwork.

Part-time package sorters at the hub are required to use crayons, marking each package that comes through. Management felt that the Lord clearly made a mistake when He provided each sorter with ten fingers instead of nine fingers and one crayon. So the company began taping crayons to the sorters' hands.

Employees were told that if they refused to wear the crayon, they would face severe disciplinary action. One part-timer had already been suspended for this reason.

The employees thought this was carrying creativity a little too far, and during their break decided they would not return to work while taped to their crayons.

Soon the hub manager came running. Steward Cindy Klink explained the situation, and the manager quickly agreed that they didn't need to wear the crayons if they would "just go back to work!"

This example may be a bit humorous, but the drive for productivity improvements at the expense of our jobs and working conditions is serious—not just at UPS, but throughout the industry. For more reports on the productivity squeeze, see page 3. For additional UPS news, see page 5.

STRIKE HAPPY?

"Rebel Teamsters Say They'll Strike", claims one newspaper headline, in covering a TDU Contract meeting.

TDU Organizer Ken Paff has issued a statement to all TDU Chapters and Organizers on February 21 which stated, "TDU is not out to organize isolated wildcat strikes which could possibly result in victimizations by the companies. We are out to organize enough national pressure that will force a sanctioned strike--and the members will then have a chance to keep the heat on and win a decent contract (and when a strike is called its majority rule, not ⅔) naturally if wildcats do occur we will do everything we can to help protect people and make them as effective as possible..."

TDU has taken a stand that the only way to force the carriers to come across with a good contract is to have the strike -weapon ready to use. When your top negotiator Roy Williams announces "I don't think there will be any work stoppage" before the bargaining even gets serious, then **who is he helping - you or your employer?**

KNOW YOUR RIGHTS. The National Labor Relations Act, Sec. 7, says, "employees shall have the right to self organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing and to engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection." YOU HAVE THE RIGHT TO READ AND DISTRIBUTE THIS PAPER AT WORK IN NON-WORK AREAS AT NON-WORK TIMES.

Feb, 78

NLRB Raps UPS In Ely Case; Roadway Charged Again

The National Labor Relations Board in Washington, D.C. has ordered United Parcel Service (UPS) to provide reinstatement and backpay to Lexington, Ky. PROD member David Ely who was fired for PROD activity in 1975.

Ely, a UPS feeder driver and Local 651 member, was discharged for "failure to follow instructions."

His discharge came after a year-long battle with the company in which he filed numerous grievances to win the right for drivers to make unscheduled rest stops to urinate.

UPS Harassment

UPS refused to abide by a favorable joint committee decision upholding this right and continued to harass Ely for making an issue of it. He was first suspended and then fired.

After a hearing in July, 1976, an NLRB administrative law judge found that UPS had violated the law by discharging Ely because of his legally protected membership in PROD and his union activity (i.e. filing grievances).

The latest decision by the NLRB in Washington affirms this ruling. The case may now be appealed to federal court by the company, however--further delaying actual compliance with the NLRB's backpay and reinstatement order.

Meanwhile, in Fort Wayne, Indiana, the NLRB has begun a similar unfair labor practice case against Roadway Express for illegally firing dock worker Dick Hughes Last August.

A member of Local 414 and Northern Indiana PROD, Hughes faced increasing company harassment after he joined PROD in November, 1976, along with several other Ft. Wayne Roadway employees. "We joined PROD at that time because PROD was fighting to correct our pension fund, our grievance procedures, and working conditions at Roadway Express," Hughes says. "We had already asked our local to help us with our problems and they would not."

Hughes and other PROD members initiated a major grivance over Roadway's abuse of casuals, sought a DOT inspection of equipment at the company's Ft. Wayne terminal, and complained to the NLRB about a supervisor's interference with their right to post PROD literature on the employee bulletin board.

Finally, in June of last year, Hughes was fired on a trumped up charge of "absenteeism."

He filed charges against the company with the NLRB and produced a number of witnesses to his legally protected PROD, safety, and union activity.

The witnesses also gave the NLRB statements documenting the company's hostility toward PROD and the stated intention of one supervisor to "get rid of" Hughes for being a "troublemaker."

The NLRB issued an unfair labor practice complaint against the company last November, charging it with illegal discrimination. A hearing on the case was scheduled for Feb. 15.

Joint Committee Role

Like Ely, Hughes first took his discharge to the joint committee. But in both cases, the grievances were dismissed on procedural grounds--for not being filed in time.

This turns out to have been fortunate in both cases because the NLRB continues to "defer" to joint committee decisions in many discharge cases. This means it will not usually uphold an unfair labor practice charge filed by a grievant who has lost his discharge case at the committee.

PROD has argued strongly against this policy on the grounds that discharging workers like David Ely or Dick Hughes is a violation of both the contract (because there is no "just cause") and federal labor law (because they were engaged in legally protected activity).

It is PROD's position that joint committees are not qualified to determine the existence of labor law violations in discharge cases.

When a joint committee actually considers the merits of a discharge case--even if it doesn't get into the legal as well as the contract issues--it is very hard to get the NLRB to take your case if the discharge is upheld.

Ohio Fund

(continued from page 1)

from month to month, so that a cannot plan adequately for its m expenses.

Knee and his father have been drainin off money from the fund in large amount since 1972. In 1972 and 1973, Robert Knee, Sr., also a lawyer, averaged about $500,000 a year as the fund's administrator.

When Robert, Jr., took over, he received fees of $879,000 in 1974 and $627,000 in 1975.

Money made by the Knees before the 1974 Pension Reform law was enacted will not be touched by the settlement, unfortunately. That was the law the government sued under and it does not apply retroactively.

The Knees gained control over the Highway Drivers Fund with the help of Ohio Teamster official William Presser.

Other Teamster officials who were forced to resign as fund trustees include James Feltis of Springfield, Robert Cassidy of Canton, and Lou Edwards of Columbus.

Fitz Charges Detailed . . .

(continued from page 3)

those granted to Smith Transfer in Columbus, Ohio, and dispatch procedures such as those imposed on Interstate drivers by Pennsylvania Local 764.

Berryhill and Vitrano accuse Fitzsimmons of failing to review and reject these substandard agreements.

As a result of his inaction, they say, "officials at every level of the Union are falling head over heels to grant waivers and exemptions to various requirements of the National Master Freight Agreement, all in the name of protecting jobs" threatened when a Teamster official in a neighboring city or state cuts a sweetheart deal designed to lure those jobs

The charges accuse Fitzsimmons of waiving the right to strike during contract negotiations and denying members covered by the Master Freight Agreement the right to vote separately on their owr area supplements.

The PROD members also cri Fitzsimmons' role in perpetur joint committee grievance

Among the numerous join sell-outs cited as evidence nesses are Central S operations decisions Best Freight, Ea on productivity in Pittsburgh, in which emp force drivers t

CONTRACT BULLETIN

tdu

Sept. 21, 1984
#4

Published by the UPS/TDU Contract Committee

Teamsters for a Democratic Union, Box 10128, Detroit, MI 48210 (313) 842-2600 138

Federal Court: Presser Violated UPS Members' Rights

Victory for Democracy

"The court must conclude that the judgement of the union leadership (Presser) was not 'fair and reasonable' and that the plaintiffs were denied their right to an informed and meaningful vote."

Federal Judge William B. Bryant
Washington, DC, September 19, 1984

The verdict is in. Jackie Presser violated federal law in attempting the secret deal and quickie vote to railroad the proposed UPS contract through. The judge ordered the ballots void and that new ballots may be mailed no sooner than 15 days after his ruling.

Judge Bryant solidly defended the members' right to a democratic discussion: "In a democratic system such as the one envisioned by the LMRDA (federal law which contains union members' bill of rights), it is axiomatic that members must have the opportunity to attempt to persuade their fellow union members to reject or support a proposal which... strikes at the heart of their quality of life both at work and at home."

Presser's attorneys argued that the agreement was a 'simple proposition' as only money was involved, and therefore there is no need for debate.

Judge Bryant disagreed: "The practical effect of the tentative agreement is the creation of an entirely new contract, and the forfeiture of the right to negotiate on any non-monetary provisions of the 1982 contract. As a result, the proposed extension was not a simple proposition; it involved much more than just money. The members should have been afforded ample opportunity to discuss and debate *all* aspects of the contract."

The court noted that while Presser did not respect the members' right to discuss and debate the contract, he did pile on plenty of his own PR in the biased packet that went out with the ballots. As the judge noted, "The packets constituted an unusually aggressive attempt to persuade approval...the need for distribution of opposing views is particularly necessary in that the material accompanying the ballots only discussed the virtues of the proposal. While there is nothing inherently wrong in the union's distribution of "pro" material, the court cannot conclude that the members were truly informed unless they were presented with the pros *and* cons of the proposal."

With his "sneak attack" secret deal with UPS, Jackie Presser tried to steal every UPS Teamster's right to an informed and democratic vote. But because four UPS employees and TDU took positive action, these rights were saved. For this contract and into the future.

What It Means

- The judge stated that 15 days after his ruling the ballots could go out at any time. This means that the new ballots will go out on or after October 4, 1984. In a Titan message to local unions Presser indicated that they will go out at that time.
- The ballots will then be counted and the proposal will either be passed or defeated. If passed it will go into effect until August, 1987. If defeated, UPS and the IBT will go back to the table and continue negotiating.
- The 63,000 ballots now in the Silver Spring, Maryland post office have been impounded and have no use for any purpose associated with the contract proposal.
- In the second balloting, the same contract proposal will be voted on once again. The court action protects our democratic right to vote but does not alter the actual contract offer itself.
- The most important outcome of this decision could be for future contracts. How much is it worth to protect our right to a fair vote against secrecy and underhanded tactics?
- Local 705 and Local 710 are *separate votes*. Teamsters in Illinois, Indiana, and Davenport, Iowa are voting on the same proposal and ballot, but have the right to a separate tally and ratification. The TDU lawsuit forced the union to acknowledge this. This means that both of these locals can turn down the contract even if it passes nationally.

Why We Went to Court

As UPS employees we have given up a lot over the years. We've lost our cost of living clause. We've lost the union principle of equal pay for equal work. We've lost full time jobs. And all too often we have lost our dignity and peace of mind.

When we saw the tactics Presser was using on this contract, we felt it was time to say "enough," that we would not lose our right to collective bargaining and a fair contract vote. We strongly felt that this was a concession that we could not give away to Jackie Presser or anyone else.

We also knew that many local officers complained about the way the contract was handled, that even those who were urging a yes vote did not like the "sneak attack" methods. We also heard our fellow members grumbling about it, and we knew that only an intelligent and effective response, organized through TDU, would do the job.

Based on this, we first brought internal union charges against Presser, and we were then forced to sue him for violating the union members' bill of rights.

It is interesting to notice that both the company and Presser responded similarly to the lawsuit. UPS read a letter in every center in the country stating that the lawsuit could eliminate the bonus. In his Titan message of September 20, Presser stated that it was "unfortunate" the court ruled against him and pointed the finger at the four TDU members.

Neither Presser nor UPS mentioned the truth: that all we have asked for is a fair vote. And this is what a federal judge insured.

The company also went around saying, "Who are these four guys who claim to represent you?" We never claimed to. We represented ourselves and those who wanted to stand up for their rights. Actually, it was Jackie Presser who claimed to represent the wishes of 90,000 UPS Teamsters by negotiating a deal behind our backs without one consideration for our concerns.

By taking this action we have secured the right of UPS workers and all Teamsters to a fair vote. We are proud of this and we would like to thank all the good TDU members out there who made it possible. Now let's work together to win back the many other rights that have been given away, and to win the dignity and respect that we deserve for the work we do.

—Jerry Gaimari, Local 404
—Bill Bauman, Local 688
—Jim Wardell, Local 710
—John Braxton, Local 623

New Vote, But Same Contract Offer:

Now Let's Get a Real Contract

"the proposal, however, not only required the members to determine whether the new terms were favorable, but also to decide whether they wanted to live with all the other terms of the 1982 UPS contract for an additional two years.

—Judge Bryant

In August the *Wall Street Journal* said it, and in September a federal judge said it: the proposed contract offer is basically an extension of the "Concession Contract" (*Wall Street Journal* 8/17/84) that passed in 1982. The only change is the money offered, which when you come down to it is less than half the story.

But we ask all UPS Teamsters to carefully consider how little this money will mean, and how far we will be set back if this contract passes. Despite the fact that the union is in the best bargaining position ever, we are being asked to take a contract that fails to address any of the day to day issues that really affect most UPS employees.

This could have been the year that steps were taken to stop the harassment over productivity, the excessive mandatory overtime. Steps also could have been taken to get part-timers full seniority and bidding rights and a four hour guarantee. And most important, it could have been the year to get back the cost of living, and get rid of the two-tier wage system that threatens every top-rate job.

Expecting to get action on all of these problems would be unrealistic, but there is no reason why progress cannot be made on some of them, *if the International Union would actually negotiate with UPS.* Many members seem to feel that this is impossible, but facts dispute this. Presser himself admitted that UPS giving any money at all was due to pressure put on the International Union by members and local officers. In court the IBT lawyers admitted this in detail.

Taking Presser to court over the unfair vote has sent them a clear message that these methods will not be tolerated. Let's send another message that we want a *real* contract *that has been negotiated* by voting no on this proposal. Voting no will only send them back to the table,it does not mean a strike.

UPS's first offer will be the starting point for a better contract.

TDU Was There for You— Now Be There for TDU

Thousands of UPS Teamsters from coast to coast want to do something positive to improve our working conditions, our contract, and our union. But they don't know how to go about it, or doubt that it is possible. Are you one of them? If so, this is for you.

There is an organization of UPS Teamsters working together for these goals, and we are part of Teamsters for a Democratic Union (TDU). Our name sums it up. We are all working Teamsters, and we want a democratic union.

Many of us are stewards, and some are elected local officers. We are organized because no individual could possibly have an impact on an organization as large as the IBT or UPS. Most important, we get results—the success of the lawsuit proves it.

But without you, the concerned member, joining in, we can't do a thing. TDU had to go in the hole financially in this contract effort, and we need your help now. We need your financial support, we need your backing, we need you to join TDU. Joining is completely confidential. If you agree with our goal of a democratic union, how about pitching in? There will never be a better time than today. Use the coupon on this page, and don't put it off.

On October 13-14, in Chicago, we are holding the national TDU Rank and File Convention. There will be a national UPS workers meeting in conjunction with that Convention. Some of the best union members you could ever meet will be there. The people with the guts to sue Jackie Presser over the contract will be there. The lawyers who won the case will be there, as will other good labor attorneys and educators. The question is, will **you** be there?

For more information call the TDU office at (313) 842-2600, or send in the coupon below.

Emergency UPS Meeting
October 13-14
Holiday Inn Mart Plaza
Chicago, Illinois

TDU invites all Teamsters interested in defending our contracts and reforming our union to join us and also to attend the Rank & File Convention. We do reserve the right to exclude those who are opposed to reform or to TDU and its principles.

____ **YES,** I want a copy of the legal briefs and court decision on **Bauman v Presser**. Enclosed is $10 ($5 for the judge's decision only.)

____ **YES,** I want to join TDU. (Please use coupon at right.)

____ **YES,** I want to take a bundle of **Convoy Dispatch** every month.
☐$3-10 ☐$4-20 ☐$5-50 ☐$9-100

____ **YES,** I want to receive future contract bulletins to distribute.

____ **YES,** I want to have a meeting in my area, or help set up a meeting. Please contact me.

____ **YES,** I am interested in attending the UPS Meeting at the TDU Convention in October. Please send me more information.

____ **YES,** I will donate to help build the campaign for a decent contract. Enclosed is my donation of:
☐$25 ☐$15 ☐$10 ☐$5 ☐Other ____

You have an absolute right by law to distribute this flyer in non-work areas during non-work times. If any supervisor tries to restrict your rights contact the TDU office immediately.

Join TDU!

Name _____ Local # _____

Address _____

City _____ State _____ Zip _____

Phone _____ Company _____

Package Driver☐ Feeder☐ Warehouse☐ Other _____

☐ $25 membership fee—for one year's membership and subscription to **Convoy Dispatch**. ($5 of this shall be rebated to the local chapter.)

☐ $60 three year membership fee. ($10 of this shall be rebated to the local chapter.)

☐ $15 annual dues for spouses, retirees, and Teamsters who gross less than $12,000 a year.

Return to: TDU, Box 10128, Detroit, Michigan 48210
(TDU membership is kept strictly confidential)